Ansa Logistics Pension Plan

Statement of Investment Principles

July 2020

1 Introduction

1.1 This is the Statement of Investment Principles prepared by the Ansa Logistics Pension Plan Limited as Trustee of the Ansa Logistics Pension Plan (the "Plan"). This statement sets down the principles governing decisions about investments for the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018.

1.2 In preparing this statement the Trustee has consulted Ansa Logistics Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5 The investment powers of the Trustee are set out in Section 10 of the Definitive Trust Deed & Rules, dated 29 May 2002. This statement is consistent with those powers.

2 Choosing Investments

2.1 The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Plan's assets is delegated to one or more fund managers. The Plan's fund managers are detailed in Appendix 1 to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3 Investment Objectives

3.1 The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;

- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the participating employer, the cost of current and future benefits which the Plan provides;

- to reduce the risk of the assets failing to meet the liabilities over the long term;

- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities at any time. The Trustee has obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4 Kinds of investments to be held

4.1 The Plan can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3 The trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

5 The balance between different kinds of investments

5.1 The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2 The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.

5.3 From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflows requirements or any other unexpected items.

5.4 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6 Risks

6.1 The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities:

6.2 Risk versus the liabilities The Trustee will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.

6.3 Asset Allocation risk The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.

6.4 Fund manager risk The Trustee monitors each of the Plan's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

6.5 Concentration risk Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

6.6 Loss of investment The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

6.7 Liquidity risk The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cash flow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

6.8 Covenant risk The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

6.9 Solvency and mismatching Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.

6.10 Currency risk The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3 In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4 Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustee meets the Plan's fund managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8 Realisation of investments

8.1 The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.

8.2 Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9 Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

9.1 The Trustee has set policies in relation to these matters. These policies are set out in Appendix 2 to this statement.

10 Agreement

10.1 This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Plan auditor upon request.

Signed:... **Date:** 28/07/2020

On behalf of the Ansa Logistics Pension Plan

Appendix 1 Note on investment policy of the Plan as at July 2020 in relation to the current Statement of Investment Principles

Choosing investments

The Trustee has appointed the following fund managers to carry out the day-to-day investment of the fund:

- State Street Global Advisors ("SSgA")
- Columbia Threadneedle Investments
- Aviva Investors

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The fee arrangements with the fund managers are recorded separately by the Trustee.

The Trustee has AVC contracts with Clerical Medical and Equitable Life Assurance Society for the receipt of members' Additional Voluntary Contributions. The arrangements are reviewed from time to time.

Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- UK Equities;
- Overseas Equities;
- Multi-Asset Funds
- Index-Linked Gilts;
- Corporate Bonds.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives for each fund manager are given below:

SSgA MPF sub-Fund	Benchmark	Objective
Global Equity (50/50) Index	50% FTSE All Share 50% International Equities*	Meet benchmark gross of fees
Sterling Non Gilts Bond Over 15 Years	Barclays Sterling Aggregate Sterling 100mm Non Gilts Over 15 Years Index	Meet benchmark gross of fees
UK Index Linked Gilts All Stocks	FTSE Actuaries UK Gilts British Government Index Linked All Stocks	Meet benchmark gross of fees
UK Index Linked Gilt Nov 2037	Barclays UKTI 1.125% Nov 37 TRI	Meet benchmark gross of fees
UK Index Linked Gilt Nov 2055	Barclays UKTI 1.25% Nov 55 TRI	Meet benchmark gross of fees

* Allocated 1/3 FTSE All-World Developed North America, 1/3 FTSE All-World Developed Europe ex UK, 1/6 FTSE All-World Developed Asia Pacific ex Japan, 1/6 FTSE All-World Japan

Columbia Threadneedle	Benchmark	Objective
Dynamic Real Return Fund	UK CPI	Outperform the benchmark by 4% p.a. net of fees over rolling 3 year periods

Aviva	Benchmark	Objective
Multi-Strategy Target Return Fund	BoE Base Rate	Outperform the benchmark by 5% p.a. net of fees over rolling 3 year periods

The following table sets out the Plan's strategic asset allocation as well as the interim asset allocation currently in place. The Trustee has a trigger mechanism which has been developed to identify suitable market conditions to switch from the Interim allocation to the strategic asset allocation.

Asset class		Strategic allocation
Global Equities	**25%**	
Of which		
MPF Global Equity (50/50) Index sub-Fund		*100.0%*
Multi-Asset Funds	**25%**	
Of which		
Columbia Threadneedle Dynamic Real Return Fund		*50.0%*
Aviva Multi-Strategy Target Return Fund		*50.0%*
UK Bonds	**50%**	
Of which		
MPF Sterling Non Gilts Bond Over 15y sub-Fund		*50.0%*
MPF UK Index Linked Gilts All Stocks sub-Fund		*25.0%*
MPF UK Index Linked Gilt Nov 2037 sub-Fund		*12.5%*
MPF UK Index Linked Gilt Nov 2055 sub-Fund		*12.5%*
Total	**100%**	

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the cost of rebalancing.

The Trustee will review the continued appropriateness of the strategic asset allocation following the results of the next triennial valuation or following any significant changes to the liability profile.

The performance of fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

Investment of new money

New money is invested to rebalance the overall asset allocation towards its overall benchmark as set out above.

Realisation of investments

Where the principal employer's contributions are insufficient to meet the Plan's cash flow requirements the Trustee may disinvest some of its investments to rebalance the overall asset allocation towards its overall benchmark as set out above.

Appendix 2 Note on financially material considerations, the exercise of rights and engagement activities, and non-financial matters

The Trustee has received training from their investment advisors to consider the financial materiality of environmental, social and governance issues, including climate change (referred to together as "ESG issues").

The Trustee has considered long-term financial risks to the Scheme and believes that Environmental, Social and Governance ("ESG") factors, including climate change (referred to together as "ESG issues"), are potentially financially material – that is, they have the potential to impact the value of the Scheme's investments. The Trustees have a policy to consider these, alongside other factors, when selecting and reviewing the Scheme's investments.

The Trustees appreciate that the method of incorporating ESG in the investment strategy and process may differ between asset classes.

The Trustees are also cognisant of the different investment timeframes that may apply to investments. The Trustees believe that ESG issues, including climate change issues, may have a greater impact over a longer timeframe, compared to investments that are held for a shorter timeframe.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Multi-asset funds – the Trustee believes that ESG matters will be financially material to the risk-adjusted returns achieved by the Plan's multi-asset fund managers. The investment process for each multi-asset fund manager should take ESG issues into account when selecting holdings. The approach and level of ESG integration may differ depending on the nature of the fund and the types of underlying investments made.

The Trustee also supports engagement activities and, where relevant, the exercise of rights attaching the investments by the Plan's multi-asset fund managers. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Passive equities – the Trustee accepts that when investing passively in equity index tracker funds, there is little that the manager can do within the investment process selecting stocks. However, the Trustee believes positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustee looks to the passive equity manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company. However, engagement activities (including the exercise of rights) should be consistent with, and proportionate to, the rest of the investment process.

Passive gilts – the Trustee believes that there is limited scope for ESG considerations to improve risk-adjusted returns within the Plan's passive gilt holdings.

Passive non-gilt bonds– the Trustee accepts that when investing passively in non-gilt bond funds, there is limited scope for the manager to take ESG considerations into account during the investment process of selecting securities. The Trustee recognises that fixed income assets do not typically include voting rights; however, the Trustee supports engagement from their managers to identify ESG risks and opportunities. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustee is comfortable that all of the current investment managers are managing the respective funds with a suitable approach to ESG considerations in the context of the type of fund as set out above.

The Trustee reviews the fund managers' reporting on ESG considerations from time to time as appropriate and will consider ESG when appointing and reviewing managers to ensure that the appropriate ESG matters are taken into account, depending on the asset class in question.

Policy on the exercise of voting rights and engagement activities

10.2 Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers. The Trustee believes that good stewardship positive engagement can lead to improved governance and better risk-adjusted returns.

10.3 The Trustee acknowledges the importance of ESG and climate risk within their investment decision-making framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

10.4 The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

10.5 The Trustee considers it to be a part of their investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Plan or as part of the pooled fund in which the Plan holds units. The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan. Where the Trustee uses pooled funds the Trustee expects the investment manager to employ the same degree of scrutiny.

10.6 Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

10.7 The Plan's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles, the Trustee has made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

10.8 The Scheme currently invests in pooled investment funds only. As a result, the Trustee delegates responsibility for stewardship activities attaching to the Scheme's investments to its investment manager. The Manager is expected to exercise voting powers (where applicable) with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, the manager is expected to engage where appropriate with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve performance, and to mitigate financial risks.

10.9 The Trustee is comfortable with the current fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

10.10 The Trustee, with support from the Scheme's investment consultant, will periodically review the stewardship policies, voting and engagement activities undertaken by their investment manager to ensure that the policies outlined above are being met and may explore these issues with the Scheme's investment manager (as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment manager). Should any issues emerge in relation to the above, the Trustee will discuss these with the manager and discuss any remedial action taken.

10.11 The Scheme's investment manager is a signatory to the UN Principles of Responsible Investment and the Financial Reporting Council's UK Stewardship Code (which aims to enhance the quality of engagement between investors and companies). The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and expects the Scheme's investment manager to have corporate governance policies in place which comply with these principles. The Trustee will review the signatory status of all the Scheme's manager following revisions to the UK Stewardship Code in 2020.

Policy for taking into account non-financial matters

10.12 The Trustee does not take account of non-financial matters (such as Scheme members' and beneficiaries' ethical views) when setting the investment strategy and in terms of the selection, retention and realisation of investments.

Conflicts of Interest

10.13 The Plan's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

10.14 The Trustee expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Policy on arrangements with asset managers

Alignment of investment strategies with investment policies

Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Plan's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

The Trustee carries out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Plan and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis. The Trustee will receive an annual report on each manager's ESG activities and voting for the previous 12 months.

In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

Time horizon for making decisions and engagement

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, they are aware that the need to change their current pathway is great. The Trustee recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustee have acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects investment managers to be voting and engaging on behalf of the fund's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Manager performance and remuneration

The Trustee monitors the performance of its investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.

The Plan invests mainly in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied. Details of the fee structures for the Plan's investment managers are contained in the appendices.

The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Plan's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Duration of arrangements with asset managers

For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

For closed ended funds, the Plan reviews the appointment with the investment manager as the manager releases new iterations of the funds (which the Trustee may consider further investment into) and at, or just prior to, maturity of the closed-ended fund.

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

The Trustee will receive an annual report on each manager's total costs for the previous 12 months.